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earmarked for the expansion of the plants, and 6,000,000 schillings for working capital. With the granting of these credits, the Soviets decreed that henceforth all financial transactions of the two plants must be made through the Soviet Military Bank. By the end of February 1948, the two plants had used up all but 400,000 schillings of the credit.

2. In the last week of February 1946, the two plants reported a balance of 2,000,000 schillings, whereupon the Electro-Technical Division of USIA ordered them immediately to transfer 1,600,000 schillings to the Military Bank. When this order had been complied with, the two plants were informed that their indebtedness to the Bank had now been reduced to 6,000,000 schillings. A few days later, an additional 1,600,000 schillings was ordered paid to the Military Bank under the guise of "tax payments to the Austrian State". As far as is known, however, USIA has never paid any taxes to the Austrian authorities for firms under its control. The debt of the two plants to the Military Bank was still stated by USIA to be 6,000,000 schillings.
3. Since numerous unexplained entries have been made in the books of the two plants in compliance with apparently arbitrary orders from the Soviets, bookkeeping is in such confusion that it is no longer possible to determine the exact financial status. ( Comment: it appears to be a deliberate Soviet policy to blur the financial picture within those enterprises which may have to be returned to Austria in case of a successful conclusion of the London discussions.)
4. In February 1946, orders were issued by Soviet director Gorkanov of the Siemens plant in Engerthstrasse that the sales department of the plant insist on advance down payments for all orders placed with the plant, and that these down-payments be as high as possible. As a result of this policy, down payments totaling 2,000,000 schillings are alleged to have been collected from various firms. Wiener Bruckenaubau, for example, made a down payment of 200,000 schillings for an order placed for future deliveries. These down payments must then be transferred

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immediately to the Soviet Military Bank. ~~Comment:~~ It is not clear whether the 3,200,000 schillings mentioned in paragraph 2 above derived from these funds. This is probably the case, however, since the constant shortage of funds in these plants has been widely attested. It was recently learned, for example, that February salaries were paid to the employees of the Soviet-controlled Siemens plants only after formal representations and strike threats and after concerted efforts by the shop councils to collect and pay out the necessary funds.)

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5. The Soviets plan that USIA factories shall make payments for raw materials and semi-finished goods only in bills of exchange. ~~Comment:~~ Under this system, enterprises which accept bills of exchange from USIA firms could not be sure that payment was actually guaranteed. Furthermore, the Soviets might well extend the bills of exchange indefinitely until the withdrawal of the Soviets. The Austrian Government, in taking over the USIA plants, would then be obliged to redeem the bills of exchange.)

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6. No explanation has as yet been given for the hoarding of finished products by the USIA Siemens-Schuckert firms. As previously reported (see ~~CONFIDENTIAL~~), sales from these factories were halted completely around the middle of February 1948, and, as of 6 March 1948, there was an accumulation of approximately 8,000,000 schillings worth of electrical goods, including 1400 electric motors and 40 hot water heaters. It is noteworthy that semi-finished products in the Engerthstrasse plant, which are worth 600,000 schillings, cannot be sent elsewhere to be finished, because there is no money available to pay for their further processing.

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~~Comment:~~ Informed persons within the Siemens-Schuckert enterprises believe that finished products are being stockpiled during the Austrian treaty negotiations, either in order to ship such products eastward in the event of a treaty, or to flood the domestic market if treaty discussions are unsuccessful. This would indicate that the Soviets consider the return of USIA enterprises to Austrian control as entirely possible. Under present Soviet policies, should the plants be returned to Austrian management on payment of the \$200,000,000 demanded by the Soviets, Austria would have to buy back these plants without regard to their real value, thus enabling the Soviets to remove machinery, raw materials, and finished products and then surrender to the Austrians only pillaged and debt-ridden enterprises.)

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